



Irish Life Weekly Investment Bulletin

The week that was – WEEK 50 (ending 15/12/2017)

“There seems a magic in the very name of Christmas.” - Charles Dickens

ESRI predicts strong Irish economic growth to continue – The Economic and Social Research Institute in its latest Quarterly Economic Commentary is forecasting GDP growth of 4.2% in 2018 with unemployment expected to reduce to an average 5.4% through 2018 and growth in average hourly earnings of 3% in 2018.

Fitch upgrades Ireland’s credit rating to A+ – One of the world’s three main credit rating agencies, Fitch, has upgraded Ireland’s sovereign credit rating to A+ from A, following a similar move by Moody’s in September. One of the main factors cited by Fitch was the significant reduction in annual debt servicing costs.

Global stock market up 0.5% on the week – The MSCI AC World TR Index showed a 0.48% rise from the 8th to 15th December as the U.S. Federal Reserve increased rates by 0.25% but the ECB and Bank of England both left rates on hold. Volatility, as measured by the VIX, finished the week at 9.42, down from 9.58.

ECB raises eurozone growth and inflation forecasts – The European Central Bank’s President Mario Draghi revised up growth forecasts “substantially” to 2.3% in 2018 (from 1.8% in September) and 1.9% in 2019 (from 1.7% in September). He expects inflation to average 1.4% in 2018 and rising to 1.7% in 2020.

UK inflation hits its highest level in almost six years – The ONS reported the Consumer Price Index rose in November by 3.1% on the year, well above the official 2% target and the highest rate since March 2012, when it was 3.5%. The Bank of England said they believe inflation is close to its peak and will reduce.

U.S. retail sales surprise on the upside – Retail sales data were one of the biggest economic surprises of the week, rising an impressive 0.8% in November after a 0.5% gain in October. The strong start to the holiday shopping season was partially due to greater spending in electronic stores but also excellent online sales.

The Story of the week: Icelandic children get to enjoy the favours of not one but 13 Father Christmases. Called the Yule Lads, these merry but mischievous fellows take turns visiting kids on the 13 nights leading up to Christmas. On each of those nights, children place one of their shoes on the windowsill. For good boys and girls, the Yule Lad will leave sweets. If not, the Yule Lads are not subtle in expressing their disapproval: they fill the shoe with rotting potatoes. Some of the ‘enchanted’ names of these Santas include: Skyr Gobbler, Window Peeper and Meat Hook.

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Index Performances and Market Data*

Equity and Bond Markets % (in Local Currency)	2012	2013	2014	2015	2016	2017 YTD (to 15/12)
MSCI AC World (Gross TR)	16.5	26.2	9.9	1.8	9.7	19.7
ISEQ Overall Return	20.5	35.8	16.8	33.6	-2.7	8.4
FTSE 100 TR	10.0	18.7	0.7	-1.3	19.1	9.0
Euro Stoxx 50 TR	18.1	21.5	4.0	6.4	3.7	10.9
S&P 500 TR	16.0	32.4	13.7	1.4	12.0	21.9
Nasdaq Composite	15.9	38.3	13.4	5.7	7.5	28.9
Nikkei 225	22.9	56.7	7.1	9.1	0.4	18.0
MSCI Emerging Markets	13.9	0.9	2.6	-8.0	7.1	24.6
Eurozone Government Bonds 1–5 yr	5.9	2.1	3.4	1.0	0.9	0.2
Sovereign 10yr Bond Yields (%)	2012	2013	2014	2015	2016	2017 YTD
U.S.	1.7	3.0	2.2	2.2	2.4	2.4
German	1.4	1.9	0.5	0.6	0.2	0.3
UK	1.9	3.0	1.9	1.9	1.2	1.2
Japan	0.7	0.7	0.3	0.2	0.0	0.0
Ireland	4.5	3.4	1.3	1.1	0.7	0.5
Italy	4.6	4.1	2.1	1.6	1.8	1.8
Greece	12.7	8.2	9.6	7.9	7.1	3.9
Portugal	6.9	6.1	2.7	2.5	3.8	1.8
Spain	5.4	4.1	1.6	1.7	1.4	1.4
Central Bank Rates (%)	2012	2013	2014	2015	2016	2017 YTD
ECB	0.75	0.25	0.05	0.05	0.0	0.0
Bank of England	0.5	0.25	0.50	0.50	0.25	0.50
U.S. Federal Reserve	0.25	0.25	0.25	0.50	0.75	1.50
Foreign Exchange Rates	2012	2013	2014	2015	2016	2017 YTD
Euro/Dollar (€/\$)	1.31	1.37	1.21	1.09	1.04	1.18
Euro/Sterling (€/£)	0.81	0.83	0.78	0.75	0.84	0.88
Sterling/Dollar (£/\$)	1.61	1.65	1.56	1.46	1.24	1.34
IPD All Property Return % (in Local Currency)	2012	2013	2014	2015	2016	2017
Ireland	3.1	12.7	40.1	25.0	12.8	6.9% (to end of Q3)
U.K.	2.7	10.7	17.8	13.1	3.6	7.1% (to end of Q3)
U.S.	5.3	11.4	11.2	12.1	7.8	3.3% (to end of Q2)

*Past performance is not a reliable guide to future performance